

## Message Text

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ORIGIN SS-25

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FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI

AMCONSUL HONG KONG

USLO PEKING

AMEMBASSY TOKYO

AMEMBASSY JAKARTA

S E C R E T STATE 114279

EXDIS, JAKARTA FOR HOLBROOKE

E.O. 11652:GDS

TAGS:PDIP, PINT, OVIP, PINS, ETRD, TW

SUBJECT: EA/ROC WEEKLY STATUS REPORT

1. ADVERSE COMMENT ON BRZEZINSKI TRIP: GOLDWATER JOINS  
IN (UNCLASSIFIED)

SENATOR GOLDWATER HAS WRITTEN DR. BRZEZINSKI POINTING TO  
THE FACT THAT CCK'S INAUGURATION AS ROC PRESIDENT WILL  
TAKE PLACE WHILE BRZEZINSKI IS IN PEKING AND IMPLYING THAT  
A CALCULATED SNUB OR INSULT IS INTENDED. GOLDWATER CALLS  
ON THE ADMINISTRATION TO REDRESS THE BALANCE BY SENDING  
AN APPROPRIATELY HIGH LEVEL DELEGATION TO ATTEND THE IN-  
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AUGURAL. THE NSC-DRAFTED REPLY STATES THAT THE TIMING OF  
THE TRIP WAS DICTATED BY EVENTS ON BRZEZINSKI'S CALENDAR  
AND NOTES THE ROC HAS REQUESTED COUNTRIES BE REPRESENTED BY  
THEIR RESIDENT AMBASSADOR.

MEANWHILE, THE ROC PRESS, WHICH INITIALLY HAD CONFINED IT-  
SELF TO ANALYSES BY WASHINGTON-BASED CORRESPONDENTS, HAS

BEGUN ATTACKING THE VISIT EDITORIALLY. SOME OF THE PAPERS, LINKING THE VISIT TO THE PRESIDENT'S REFERENCE TO NORMALIZATION IN A MATTER OF MONTHS, STATE THAT DESPITE DIS- CLAIMERS BRZEZINSKI IS GOING TO NEGOTIATE US-PRC RECOGNITION. AND AN ENGLISH LANGUAGE CHINA NEWS EDITORIAL CON-

CLUDED THAT U.S. RECOGNITION OF PEKING WOULD MAKE WAR IN THE TAIWAN STRAIT INEVITABLE.

2. TAIWAN SELF-DETERMINATION MOVEMENT ALSO ACTIVE  
(UNCLASSIFIED)

WHILE CCK IS BEING INAUGURATED ON TAIWAN AND DR. BRZEZINSKI HOSTED IN PEKING, ONE OF THE LEADING TAIWAN SELF-DETERMINATION ORGANIZATIONS IN THE U.S., ACTION FOR MAJORITY RULE, WILL ALSO BE ACTIVE ON MAY 20, HOLDING A RALLY IN NEW YORK. A NUMBER OF CONGRESSIONAL AND OTHER PUBLIC FIGURES HAVE BEEN INVITED TO ATTEND AND BOTH CCK AND THE SHANGHAI COMMUNIQUE WILL BE DENOUNCED. ON A RECENT SPEAKING TRIP, HARVEY FELDMAN WAS TOLD ACTION FOR MAJORITY RULE IS CONSIDERING CIRCULATING THROUGHOUT THE TAIWANESE COMMUNITY IN THE U.S. PETITION CONDEMNING THE SHANGHAI COMMUNIQUE, THE PETITION LATER TO BE PRESENTED TO THE CONGRESS.

3. READJUSTMENT STEPS ON TAIWAN (SECRET/EXDIS)  
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WE BEGAN IMPLEMENTING THIS WEEK OUR PLANS FOR REDUCING OR ELIMINATING CERTAIN NON-ESSENTIAL ASPECTS OF OUR RELATIONS WITH TAIWAN. EMBASSY TAIPEI HAS INFORMED THE ROC OF OUR INTENTION TO CLOSE THE ICA CULTURAL CENTERS IN TAINAN AND TAICHUNG IN MID-JULY AND WILL MAKE A LOW KEY PUBLIC ANNOUNCEMENT OF THE PLAN ON FRIDAY. THE EMBASSY HAS SEPARATELY NOTIFIED THE ROC OF OUR INTENTION TO REVIEW (I.E., TERMINATE) OUR PURELY NOMINAL INVOLVEMENT IN THE SINO-AMERICAN FUND FOR ECONOMIC DEVELOPMENT (SAFED). IN THE CONTEXT OF THE ANNOUNCEMENT OF THE BRZEZINSKI TRIP, THE ROC WILL SEE THESE SMALL STEPS AS A SIGN THAT OUR CHINA POLICY IS BEGINNING TO MOVE AGAIN. ON THE MILITARY SIDE, THE DIRECTIVE ON DOD PERSONNEL REDUCTIONS IS STILL AWAITING FINAL WHITE HOUSE APPROVAL.

4. U.S. TRADE DEFICIT WITH ROC SHOWS SHARP RISE  
(UNCLASSIFIED)

FIRST QUARTER 1978 TRADE FIGURES SHOW A BIG JUMP IN THE U.S. BILATERAL TRADE DEFICIT WITH TAIWAN. U.S. EXPORTS TO THE ROC ROSE ONLY ABOUT 7PCT (TO \$464 MILLION, F.A.S.

BASIS), WHILE IMPORTS JUMPED BY 32 TO \$1,062 MILLION LEAVING A BILATERAL TRADE DEFICIT OF \$598 MILLION, A 61PCT RISE OVER THE DEFICIT FOR THE FIRST THREE MONTHS OF 1977. ROC TRADE FIGURES FOR THE FIRST QUARTER OF THE YEAR SHOW A SOMEWHAT SMALLER DEFICIT (\$500 MILLION), BUT CONFIRM THE TREND IN THE U.S. DATA. MOREOVER, WHILE TAIWAN'S SURPLUS WITH THE U.S. INCREASED SHARPLY, ITS DEFICIT

WITH JAPAN SHOWED A WHOPPING INCREASE FROM \$311 MILLION TO \$462 MILLION.

5. SECOND ROC BUYING GROUP (UNCLASSIFIED)

THE SECOND ROC BUYING MISSION COMING TO THE U.S. UNDER  
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THE "BUY MORE AMERICAN" PROGRAM IS SCHEDULED TO ARRIVE ON JUNE 9 AND REMAIN FOR ABOUT SIX WEEKS. IN CONTRAST TO THE FIRST GROUP, WHICH WAS HEAVILY ORIENTED TOWARDS AGRICULTURAL TRADE, THE SECOND MISSION WILL BE DOMINATED BY REPRESENTATIVES OF PUBLIC SECTOR CORPORATIONS. BOARD OF FOREIGN TRADE DIRECTOR GENERAL H.K. SHAO WILL ALSO LEAD THE SECOND MISSION. ACCORDING TO AN EMBASSY TELEGRAM, \$300 MILLION IN U.S. GOODS TO BE PROCURED WILL BE FROM CONTACTS ALREADY MADE.

6. US/ROC BILATERAL TRADE TALKS (LIMITED OFFICIAL USE)

WE ARE IN THE PROCESS OF OBTAINING INTER-AGENCY CLEARANCE ON A TELEGRAM SETTING MAY 22 AS THE DATE FOR BEGINNING BILATERAL TRADE NEGOTIATIONS WITH THE ROC IN WASHINGTON. THESE ARE THE TALKS TO BE HELD PARALLEL WITH THE MTN IN GENEVA. THE FIRST ROUND OF TALKS IS EXPECTED TO LAST FOR ONLY TWO DAYS AFTER A RECESS OF ABOUT TWO WEEKS TO GIVE BOTH SIDES THE CHANCE TO REVIEW EACH OTHER'S OFFERS AND REQUESTS FOR TARIFF REDUCTIONS AND CHANGES IN NON-TARIFF MEASURES NEGOTIATIONS WILL RESUME. A RECENT TELEGRAM FROM THE EMBASSY IN TAIPEI REPORTS RISING SENTIMENT IN TAIWANESE BUSINESS CIRCLES FOR MORE IMPORT LIBERALIZATION IN VIEW OF THE CONTINUING GLOBAL TRADE SURPLUS AND RISING FOREIGN EXCHANGE RESERVES. CHRISTOPHER

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